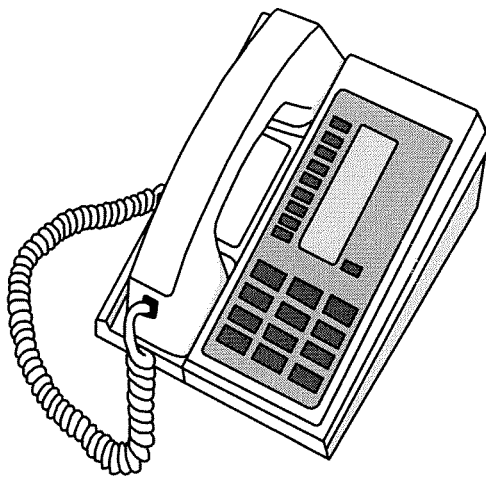


YEAR 2001

ANNUAL REPORT  
OF  
**Valley Telecommunications**

TELEPHONE UTILITY



TO THE  
PUBLIC SERVICE COMMISSION  
STATE OF MONTANA  
1701 PROSPECT AVENUE  
P.O. BOX 202601  
HELENA, MT 59620-2601

# Telephone Annual Report

## Instructions

### General

1. A Microsoft EXCEL 97 workbook of the annual report is being provided on computer disk for your convenience. The workbook contains the schedules of the annual report. Each schedule is on the worksheet named that schedule. For example, Schedule 1 is on the sheet titled "Schedule 1". By entering your company name in the cell named "Company" of the first worksheet, the spreadsheet will put your company name on all the worksheets in the workbook. The same is true for inputting the year of the report in the cell named "YEAR". You can "GOTO" the proper cell by using the F5 key and selecting the name of the cell.
2. The workbook contains input sections that are unprotected, and non-input sections that are protected. Cell protection can be disabled or enabled through "TOOLS – PROTECTION – UNPROTECT SHEET" on your toolbar. Formulas and checks are built into most of the templates.
3. Use of the disk is optional. The disk and the report cover shall be returned when the report is filed. There are macros built into the workbook to assist you with the report. An explanation of the macros is on the "Control" worksheet at the front of the workbook. The explanations start at cell A1.
4. All forms must be filled out in permanent ink and be legible. Note: Even if the computer disk is used, a printed version of the report shall be filed. **Please submit one unbound copy of the annual report along with the regular number of annual reports that you submit.** This aids in scanning the report so that it may be published on our web site. The orientation and margins are set up on each individual worksheet and should print on one page. If you elect not to use the disk, please format your reports to fit on one 8.5" by 11" page with the left binding edge (top if landscaped) set at .85", the right edge (bottom if landscaped) set at .4", and the remaining two margins at .5". You may select specific schedules to print – See the worksheet "CONTROL".
5. Unless otherwise indicated, all information required in these schedules shall be from the accounts prescribed in 47 C.F.R. Part 32 and the definitions and instructions therein will apply to this report wherever applicable.
6. Information on financial schedules may be rounded to thousands of dollars for companies with over 5,000 access lines. Companies submitting schedules rounded to thousands should so indicate at the top of the schedule.
7. Where more space is needed or more than one schedule is needed additional schedules may be attached and should be included directly behind the original schedule to which it pertains and be labeled accordingly (for example, Schedule 1A).

8. The information required with respect to any statement shall be furnished as a minimum requirement to which shall be added such further information as is necessary to make the required schedules not misleading.
9. The following schedules should be filled out with information on a total company basis:
  - Schedules 1 - 4
  - Schedule 10
  - Schedules 13 - 17
  - Schedule 19
  - Schedule 20, Page 1 of 2
  - Schedules 33 and 34

All other schedules should be filled out with Montana specific data. Financial schedules should include all amounts originating in Montana or allocated to Montana from other jurisdictions.
10. All companies owned by another company shall attach a corporate structure chart of the holding company.
11. The following schedules are not required to be filled out or submitted by companies with less than 5,000 access lines:
  - Schedule 6
  - Schedules 17 and 18
  - Schedule 21
12. Schedules that have no activity during the year or are not applicable to the respondent should be marked as not applicable and submitted with the report.
13. Companies with under 5,000 lines may use summary accounts and should leave lines for subaccounts blank. Summary accounts are noted with an asterisk and subaccounts that are not required are noted with a caret.
14. Companies with over 5,000 lines must complete schedules to all required subaccount detail.
15. FCC Form M sheets may not be substituted in lieu of completing annual report schedules.
16. Common sense must be used when filling out all schedules.

## Specific Instructions

### Schedules 3 through 9

1. **Schedules 3, 4, and 9** should include all notes to the financial statements required by the FCC or included in the financial statements issued as audited financial statements. These notes should be included in the report directly behind the schedules and should be labeled appropriately (Schedule 3A, etc.).
2. **Schedule 5** may be omitted for companies doing business only in Montana.
3. **Schedule 6** is not required for companies with under 5,000 lines.
4. **Schedule 7** must be completed by all companies. For companies under 5,000 lines, this schedule may be completed on a total state basis. Any such company completing the form on a total state basis shall indicate this fact clearly on the form.
5. **Schedule 8** - Companies with less than 5,000 lines are not required to fill out the intrastate portion. The regulated rate base must be separated from the deregulated rate base but this may be done on a total state basis. Any company so doing shall clearly indicate this on the form.
6. Only accounts designated on **Schedule 8** may be included in rate base. Only companies who have specifically been authorized in a Commission order to include cash working capital in rate base may fill out line 8 on Schedule 8. Cash working capital must be calculated using the methodology approved in the Commission order. The most recent Commission Order, and Docket, specifying cash working capital shall be noted on the schedule.
7. **Schedule 9** - Instructions to complete are similar to those used for the Statement of Cash Flows in the FCC Form M.

### Schedule 10

1. For the purpose of this schedule, nonofficial companies shall include any company in which the respondent has an ownership interest which does not meet the definition of an affiliated company set out in 47 C.F.R. Section 32.9000. This schedule shall not include telecommunications accounts receivable from other customers.

### Schedule 11

1. All amounts listed in Column f that represent individual items for which the higher of cost or market value was in excess of \$50,000 for companies with under 5,000 lines and in excess of \$100,000 for companies with over 5,000 lines must be fully explained in notes to this schedule. The explanation must include the plant description and location, the original cost, the net book cost, the market value, the value at which it was transferred or the price at which it was sold, and the party to which it was transferred or sold.

### Schedule 12

1. Respondents shall list each item amounting individually to \$100,000 or more and report all others in the aggregate.

2. Amounts in Column f relating to individual items exceeding \$50,000 shall be fully explained.

**Schedule 15**

1. Line 1 must be completed by all companies for the most recent calendar year. The retention and price/earnings ratios shall be calculated on a year end basis. Enter the actual year end market price in the "Year Ended" row. If the computer disk is used, enter the year end market price in the "High" column.
2. Lines starting at 9 shall be completed for each of the twelve months of the report year for all companies with over 5,000 access lines. Earnings per share and dividends per share shall be reported on a quarterly basis and entries shall be made only to the months that end the respective quarters (for example, March, June, September, and December.)

**Schedule 19**

1. All companies are required to submit this form. Companies with more than one plan (for example, both a retirement plan and a deferred savings plan) shall complete a schedule for each plan.
2. Companies with defined benefit plans must complete the entire form using FASB 87 and 132 guidelines.
3. Interest rate percentages shall be listed to two decimal places.

**Schedule 20**

1. All changes to the employee benefit plans shall be explained in a narrative on lines 15 and 16. All cost containment measures implemented in the reporting year shall be explained and quantified in a narrative on lines 15 & 16. All assumptions used in quantifying cost containment results shall be disclosed.
2. The schedule shall be filled out using FASB 106 and 132 guidelines.

**Schedule 21**

1. Respondents shall disclose all payments made during the year where the aggregate payment to the recipient was \$25,000 or more. Payments must include fees, retainers, commissions, gifts, contributions, assessments, bonuses, subscriptions, allowances for expenses or any other form of payment for services or as a donation.

**Schedule 23**

1. Respondents shall provide an attached sheet detailing the type and corresponding number of access lines for all entries in Column L (Other).

**Schedule 24**

1. Column (b). For each wire center that has a configuration of "Remote", Column (b) shall also reflect the respective "Host".
2. Column (c). Examples of Types of Switches are: Digital, Step by Step, and Crossbar.

**Schedule 25**

1. This schedule must be completed by all companies for the year following the reporting year.

**Schedule 26**

1. Respondents shall either report construction technicians and splicers as separate categories or footnote the appropriate categories and indicate the number of (1) construction technicians; and (2) splicers.

**Schedule 27**

1. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
2. The above compensation items shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule to which it pertains.
3. If respondent is claiming protected status of salary information both a proprietary and non-proprietary copy of this schedule shall be filed. On the non-proprietary copy respondent shall indicate which columns respondent maintains are proprietary. A note stating that such information is being provided separately shall be included on the schedule. In no case shall either Column (a) - Name/Position, or Column (g) - Percent Increase Total Compensation, be considered proprietary. Respondent shall provide all requested information on the proprietary copy.

**Schedule 28**

1. Respondents shall provide all executive compensation information in conformance with that required by the Securities and Exchange Commission (SEC) (Regulation S-K Item 402, Executive Compensation).
2. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
3. All items included in Column (d) - Other Compensation shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule.
4. In addition, respondents shall attach a copy of the executive compensation information provided to the SEC.

**Schedule 29**

1. Information from this schedule is consolidated with information from other Utilities and reported to the National Association of Regulatory Utility Commissioners (NARUC). Your assistance in completing this schedule, even though information may be located in other areas of the annual report, expedites reporting to the NARUC and is appreciated.

**Schedules 33 and 34**

1. Respondents shall report all transactions with affiliated companies.
2. Column (c). Respondents shall indicate in column (c) the method used to determine the price. Respondents shall indicate if a contract is in place between the Affiliate and the Utility. If a contract is in place, respondents shall indicate the year the contract was initiated, the term of the contract and the method used to determine the contract price.
3. Column (c). If the method used to determine the price is different than the previous year, respondents shall provide an explanation, including the reason for the change.

**Schedule 35**

1. Respondents shall provide an attached sheet detailing the account and the amount for all entries made to Lines 9 and 16.
2. Only companies who have specifically been authorized in a Commission Order to include cash working capital in rate base may include cash working capital in lines 9 or 16. Cash working capital must be calculated using the methodology approved in the Commission Order. The Commission Order specifying cash working capital shall be noted on the attached sheet.
3. Respondents shall indicate, for each adjustment on lines 30 through 42, if the amount is updated or if it is from the last rate case. All adjustments shall be calculated using Commission methodology.

**Schedule 36**

1. Respondents shall list the amount of tax accrued or paid for the fiscal year attributable to Montana sources for each of the listed taxes

**Schedule 37**

1. Respondents shall list the amount of Universal Service Funds received from Montana and from the federal government.



# Telephone Annual Report

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## General Information

Year: 2001

1.	Legal Name of Respondent:	Valley Telecommunications, Inc.
2.	Name Under Which Respondent Does Business:	Valley Telecommunications, Inc.
3.	Date of Incorporation:	21-May-93
4.	Address to send Correspondence Concerning Report:	PO Box 600 Scobey, MT 59263
5.	Person Responsible for This Report:	Ross Fladager
5a.	Telephone Number:	
Control Over Respondent		
1.	If direct control over the respondent was held by another entity at the end of year provide the following:	
1a.	Name and address of the controlling organization or person: Nemont Telephone Cooperative, Inc. PO Box 600, Scobey MT 59263	
1b.	Means by which control was held: Stock Ownership	
1c.	Percent Ownership:	100%

Board of Directors		
Line No.	Name of Director and Address (City, State) (a)	Fees Paid During Year (b)
1	Robert H. Heikens, Box 342, Nashua MT 59248	550
2	Orvis Nelson, 534 Biglake Rd., Homestead MT 59242	600
3	Dayton Cherney, #90 Cherney Rd., Nashua MT 59248	600
4	Charles McVee, 182 McVee Rd., Glasgow MT 59230	550
5	Roy Neufeld, HC 67 Box 138, Larslan MT 59244	450
6	James Shipstead, Box 538, Scobey MT 59263	600
7	Pearl Hopkins, Box 803, Poplar MT 59255	
8	Colette Custer, 115 Broadmore St., Plentywood MT 59254	3900
9		
10		
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17		
18	<b>Chairman of the Board:</b>	
19	Ben Boreson, Box 224, Opheim MT 59250	600
20		

## Officers

Year: 2001

Line No.	Title of Officer (a)	Department Over Which Jurisdiction is Exercised (b)	Name and Address of Person Holding Office at Year End (c)
1	PRESIDENT		Ben Boreson, Opheim MT 59250
2	VICE PRESIDENT		Robert Heikens, Nashua MT 59248
3	SECRETARY/TREASURER		Orvis Nelson, Homestead MT 59242
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**Total Company Balance Sheet**

Year: 2001

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>CURRENT ASSETS:</b>		
2	1120	Cash and Equivalents	4,875,378	3,296,586
3	1180	Telecommunications Accounts Receivable - Net	268,899	338,433
4	1190	Other Accounts Receivable - Net	893,359	859,910
5	1200	Notes Receivable - Net		
6	1210	Interest and Dividends Receivable	7,346	26,358
7	1220	Materials and Supplies		
8	* 1280	Prepayments	21,235	11,825
9	^ 1290	Prepaid Rents		
10	^ 1300	Prepaid Taxes		
11	^ 1310	Prepaid Insurance		
12	^ 1320	Prepaid Directory Expenses		
13	^ 1330	Other Prepayments	21,235	11,825
14	1350	Other Current Assets		
15		<b>Total Current Assets</b>	6,066,217	4,533,112
16		<b>NONCURRENT ASSETS:</b>		
17	1401	Investments in Affiliated Companies		
18	1402	Investments in Nonaffiliated Companies	822,331	855,494
19	1406	Nonregulated Investments		
20	1407	Unamortized Debt Issuance Expense		
21	1408	Sinking Funds		
22	1410	Other Noncurrent Assets		
23	1438	Deferred Maintenance and Retirements		
24	1439	Deferred Charges		
25	1500	Other Jurisdictional Assets - Net		
26		<b>Total Noncurrent Assets</b>	822,331	855,494
27		<b>PROPERTY, PLANT, &amp; EQUIPMENT:</b>		
28	2001	Telecommunications Plant in Service	16,467,252	16,226,388
29	2002	Property Held for Future Telecommunications Use		
30	2003	Plant Under Construction - Short Term	73,840	10,882
31	2004	Plant Under Construction - Long Term		
32	2005	Telecommunications Plant Adjustment	5,233,454	5,233,454
33	2006	Nonoperating Plant		
34	2007	Goodwill		
35	3100	Accumulated Depreciation	(4,157,731)	(3,168,043)
36	3200	Accumulated Depreciation - Held for Future Use		
37	3300	Accumulated Depreciation - Nonoperating		
38	3400	Accumulated Amortization	(2,616,727)	(2,267,830)
39		<b>Net Property, Plant, &amp; Equipment</b>	15,000,088	16,034,851
40		<b>TOTAL ASSETS</b>	21,888,636	21,423,457

^ Subaccount of account marked with a \*.

## Total Company Balance Sheet

Year: 2001

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
41		<b>CURRENT LIABILITIES:</b>		
42	4010	Accounts Payable	997,683	1,179,224
43	4020	Notes Payable		
44	4030	Advance Billing and Payments	505	72
45	4040	Customer Deposits	72,602	71,728
46	4050	Current Maturities - Long Term Debt	91,730	102,280
47	4060	Current Maturities - Capital Leases		
48	4070	Income Taxes - Accrued		
49	4080	Other Taxes - Accrued	233,493	219,493
50	4100	Net Current Deferred Operating Income Taxes		
51	4110	Net Current Deferred Nonoperating Income Taxes		
52	4120	Other Accrued Liabilities		
53	4130	Other Current Liabilities	169,769	152,169
54		<b>Total Current Liabilities</b>	1,565,782	1,724,966
55		<b>LONG-TERM DEBT:</b>		
56	4210	Funded Debt	8,176,595	9,117,177
57	4220	Premium on Long-Term Debt		
58	4230	Discount on Long-Term Debt		
59	4240	Reacquired Debt		
60	4250	Obligations Under Capital leases		
61	4260	Advances From Affiliated Companies		
62	4270	Other Long-Term Debt		
63		<b>Total Long-Term Debt</b>	8,176,595	9,117,177
64		<b>OTHER LIABILITIES AND DEFERRED CREDITS:</b>		
65	4310	Other Long-Term Liabilities		
66	4320	Unamort. Oper. Invest. Tax Credits - Net		
67	4330	Unamort. Nonoper. Invest. Tax Credits - Net		
68	4340	Net Noncurrent Deferred Oper. Income Taxes	1,309,400	1,361,282
69	4350	Net Noncurrent Deferred Nonoper. Income Taxes		
70	4360	Other Deferred Credits		
71	4370	Other Jurisdictional Liab. and Def. Credits		
72		<b>Total Other Liabilities and Deferred Credits</b>	1,309,400	1,361,282
73		<b>STOCKHOLDERS' EQUITY:</b>		
74	4510	Capital Stock	3,500,000	3,500,000
75	4520	Additional Paid-In Capital		
76	4530	Treasury Stock		
77	4540	Other Capital		
78	4550	Retained Earnings	7,336,859	5,719,932
79		<b>Total Stockholders' Equity</b>	10,836,859	9,219,932
80		<b>TOTAL LIAB. AND STOCKHOLDERS' EQUITY</b>	21,888,636	21,423,357

## Total Company Income Statement

Year: 2001

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	2,181,709	2,134,708
3	5080	Network Access Revenues	6,160,828	6,041,942
4	* 5100	Long Distance Message Revenue	540	(1,576)
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue	540	(1,576)
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	624,781	674,511
10	^ 5230	Directory Revenue	23,086	31,529
11	^ 5240	Rent Revenue	443,352	442,869
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	19,732	39,768
14	^ 5270	Carrier Billing and Collection Revenue	138,611	160,345
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	11,069	12,778
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>	<b>8,956,789</b>	<b>8,836,807</b>
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense	35,342	37,081
20	6120	General Support Expense	514,094	511,187
21	6210	Central Office Switching Expense	359,667	377,075
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	415,686	423,401
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	901,820	948,596
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	179,554	212,895
30	6540	Access Expense	36,841	25,719
31	6560	Depreciation and Amortization Expense	1,407,197	1,374,763
32	6610	Marketing	39,626	45,539
33	6620	Services	636,474	620,430
34	6710	Executive and Planning	209,447	219,683
35	6720	General and Administrative	746,622	689,994
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>	<b>5,482,370</b>	<b>5,486,363</b>
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	1,442,903	1,229,653
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>	<b>2,031,516</b>	<b>2,120,791</b>
41	7300	Nonoperating Income and Expense	228,961	216,306
42	7400	Nonoperating Taxes	97,838	150,254
43	7500	Interest and Related Items	584,337	644,198
44	7600	Extraordinary Items	(38,624)	62,224
45	7910	Effects of Juris. Ratemaking Diff. - Net		
46	7990	Nonregulated Net Income		
47		<b>NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46)</b>	<b>1,616,926</b>	<b>1,480,421</b>

^ Subaccount of the account marked with a \*.

## Montana Total State Income Statement

Year: 2001

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	NOT APPLICABLE ALL BUSINESS IN MONTANA	
3	5080	Network Access Revenues		
4	* 5100	Long Distance Message Revenue		
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue		
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue		
10	^ 5230	Directory Revenue		
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue		
14	^ 5270	Carrier Billing and Collection Revenue		
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue		
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>	#VALUE!	
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense		
20	6120	General Support Expense		
21	6210	Central Office Switching Expense		
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense		
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense		
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense		
32	6610	Marketing		
33	6620	Services		
34	6710	Executive and Planning		
35	6720	General and Administrative		
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>		
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes		
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>	#VALUE!	

^ Subaccount of the account marked with a \*.



## Montana Intrastate Income Statement

Year: 2001

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	2,181,709	2,134,708
3	5080	Network Access Revenues	1,812,065	2,378,093
4	* 5100	Long Distance Message Revenue	540	(1,576)
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue	540	(1,576)
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	581,490	616,418
10	^ 5230	Directory Revenue	23,086	31,529
11	^ 5240	Rent Revenue	443,352	442,869
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	19,732	39,768
14	^ 5270	Carrier Billing and Collection Revenue	95,320	102,252
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	11,069	12,778
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>	4,564,735	5,114,865
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense	35,342	37,081
20	6120	General Support Expense	514,094	511,187
21	6210	Central Office Switching Expense	359,667	377,075
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	415,686	423,401
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	901,820	948,596
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	179,554	212,895
30	6540	Access Expense	36,841	25,719
31	6560	Depreciation and Amortization Expense	1,407,197	1,374,763
32	6610	Marketing	39,626	45,539
33	6620	Services	636,474	620,430
34	6710	Executive and Planning	209,447	219,683
35	6720	General and Administrative	746,622	689,994
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>	5,482,370	5,486,363
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	678,807	596,842
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>	(1,596,442)	(968,340)

^ Subaccount of the account marked with a \*.

## Montana Intrastate Regulated Income Statement

Year: 2001

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	2,181,709	2,134,708
3	5080	Network Access Revenues	1,812,065	2,378,093
4	* 5100	Long Distance Message Revenue	540	(1,576)
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue	540	(1,576)
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	581,490	616,418
10	^ 5230	Directory Revenue	23,086	31,529
11	^ 5240	Rent Revenue	443,352	442,869
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	19,732	39,768
14	^ 5270	Carrier Billing and Collection Revenue	95,320	102,252
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	11,069	12,778
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>	4,564,735	5,114,865
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense	35,342	37,081
20	6120	General Support Expense	514,094	511,187
21	6210	Central Office Switching Expense	359,667	377,075
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	415,686	423,401
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	901,820	948,596
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	179,554	212,895
30	6540	Access Expense	36,841	25,719
31	6560	Depreciation and Amortization Expense	1,407,197	1,374,763
32	6610	Marketing	39,626	45,539
33	6620	Services	636,474	620,430
34	6710	Executive and Planning	209,447	219,683
35	6720	General and Administrative	746,622	689,994
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>	5,482,370	5,486,363
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	678,807	596,842
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>	(1,596,442)	(968,340)

^ Subaccount of the account marked with a \*.

**Average Rate Base - Total State**

Year: 2001

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	16467252	16226388
2	3100	Accumulated Depreciation	4157732	3168043
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes	1309400	1361282
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		<b>Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)</b>	11000120	11697063

**Average Rate Base - Intrastate**

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	16467252	16226388
2	3100	Accumulated Depreciation	4157732	3168043
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes	1309400	1361282
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		<b>Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)</b>	11000120	11697063

**Average Rate Base - Regulated Intrastate**

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	16467252	16226388
2	3100	Accumulated Depreciation	4157732	3168043
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes	1309400	1361282
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		<b>Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)</b>	11000120	11697063

## Statement of Cash Flows

Year: 2001

Line No.	Item Description (a)	Amount (b)	Amount (c)
1	<b>Increase/(decrease) in Cash &amp; Cash Equivalents</b>		
2	<b>Cash Flows from Operating Activities:</b>		
3	Net Income		
4	Reconciliation Adjustments:		
5	Depreciation & Amortization	AVAILABLE IN 2001 AUDIT REPR	
6	Provision for Accounts Receivable Losses		
7	Deferred Income Taxes - Net		
8	Unamortized Investment Tax Credits (ITCs) - Net		
9	Allowance for Funds Used During Construction (AFUDC)		
10	Change in Operating Receivables - Net		
11	Change in Materials, Supplies & Inventories - Net		
12	Change in Operating Payables & Accrued Liabilities - Net		
13	Change in Other Assets & Deferred Credits - Net		
14	Change in Other Liabilities & Deferred Credits - Net		
15	Other (explained on back of this page)		
16	Total Adjustments		
17	<b>Net Cash Provided by/(Used in) Operating Activities</b>		
18	<b>Cash Inflows/Outflows From Investing Activities:</b>		
19	Construction/Acquisition of Property, Plant & Equipment (net of		
20	AFUDC & Capital Lease Related Acquisitions)		
21	Proceeds from Disposals of Property, Plant & Equipment		
22	Investments In & Advances to Affiliates		
23	Proceeds from Repayment of Advances		
24	Other Investing Activities (explained on back of this page)		
25	<b>Net Cash Provided by/(Used in) Investing Activities</b>		
26	<b>Cash Flows from Financing Activities:</b>		
27	Net Incr./(Decr.) in Short-Term Debt, Original maturity < = 3 mo.		
28	Advances from Affiliates		
29	Repayment of Advances from Affiliates		
30	Proceeds from Issuances of Long-Term Debt		
31	Repayment of Long-Term Debt		
32	Payment of Capital Lease Obligations		
33	Proceeds from Issuing Common Stock/Parent Co. Equity Investment		
34	Repurchase of Treasury Shares		
35	Dividends Paid		
36	Other Financing Activities (explained on back of this page)		
37	<b>Net Cash Provided by Financing Activities</b>		
38	<b>Effect of Exchange Rate Changes on Cash</b>		
39	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		
40	<b>Cash &amp; Cash Equivalents at Beginning of Period</b>		
41	<b>Cash &amp; Cash Equivalents at End of Period</b>		

Company Name: VTI

## SCHEDULE 10

## Receivables and Investments-Affiliated &amp; Nonaffiliated Companies ar: 2001

Line No.	Name of Affiliate or Company (a)	Account 1160 Temporary Investments (b)	Account 1180 Telecom. Accounts Receivable (c)	Account 1181 Accts. Rec. Allowance (d)	Account 1190 Other Accounts Receivable (e)	Account 1191 Accounts Receivable Allow. - Other (f)	Account 1200 Notes Receivable (g)	Account 1201 Notes Receivable Allowance (h)	Account 1210 Interest and Dividends Receivable (i)	Account 1401 Investments in Affil. Companies (j)	Account 1402 Investments in Nonaffil. Companies (k)
1	NRUCFC	3863067							7347		
2	AT&T				242075						
3	QWEST COMM				9443						
4	PROJECT TELEPHONE				1156						
5	NEMONT COMM INC				127715						
6	NCRPC				5095						
7	NECA				126082						
8	SAGEBRUSH CELL				5485						
9	NEMONT TELEPHONE				64547						
10	MISC LD CARRIERS				279217						
11	METS POOL				2199						
12	USAC				30346						
13	CAPITAL CREDITS										48883
14	RTFC										648016
15	NISC										125432
16											
17											
18											
19											
20											
21											
22											
23											
24											
25											
26											
27											
28											
29											
30	Totals	3863067			893360				7347		822331

## Net Plant in Service - Detail

Year: 2001

Line No.	Account (a)	Description (b)	Beginning of Year Balance (c)	Additions (d)	Retirements (e)	Sales & Transfers (f)	End of Year Account 2001 Balance (g)	Year End Accumulated Depreciation (h)	End of Year Net Plant Balance (i)
1	* 2110	Land and Support Assets	2474262	123058	66546	36285	2567059		2567059
2	^ 2111	Land	111432	300			111732		111732
3	^ 2112	Motor Vehicles	345508	71397	61146	36285	392044	301786	90258
4	^ 2113	Aircraft							
5	^ 2114	Special Purpose Vehicles	2820				2820	2820	
6	^ 2115	Garage Work Equipment							
7	^ 2116	Other Work Equipment	147383	11559			158942	81356	77586
8	^ 2121	Buildings	1786292	39802			1826094	280812	1545282
9	^ 2122	Furniture							
10	^ 2123	Office Equipment	80827		5400		75427	8357	67070
11	^ 2124	General Purpose Computers							
12	2211	Analog Electronic Switching			2432				
13	2212	Digital Electronic Switching	3834315	65879		845	3898607	1418167	2480440
14	2215	Electro-Mechanical Switching							
15	2220	Operator Systems							
16	2231	Radio Systems							
17	2232	Circuit Equipment	1879843	77663	15177	-845	1941484	453018	1488466
18	* 2310	Information Orig & Term Equip							
19	^ 2311	Station Apparatus							
20	^ 2321	Customer Premises Wiring							
21	^ 2341	Large Private Branch Exchanges							
22	^ 2351	Public Telephone Term. Equip.							
23	^ 2362	Other Terminal Equipment							
24	2411	Poles	182866	5424	4621		183669	93032	90637
25	* 2420	Cable and Wire Facilities	5371337	43617	24819		5390135		5390135
26	^ 2421	Aerial Cable	1056073	1101	14729		1042445	224241	818204
27	^ 2422	Underground Cable	1016157	717			1016874	297038	719836
28	^ 2423	Buried Cable	3218086	41799	10090		3249795	597039	2652756
29	^ 2424	Submarine Cable							
30	^ 2425	Deep Sea Cable							
31	^ 2426	Intrabuilding Network Cable	81021				81021	16123	64898
32	2431	Aerial Wire	3586				3586	2184	1402
33	2441	Conduit Systems	2480179	2532			2482711	383396	2099315
34		<b>Totals</b>	16226388	318173	113595	36285	16467251	4159369	12307882

^ Subaccount of the account marked with a \*.

## Analysis of Plant Held for Future Use

Year: 2001

Line No.	Location and Description of Property (a)	Date Included in Account 2002 (b)	Book Cost of Property at Beginning of Year (c)	Additions During the Year (d)	Retirements During the Year (e)	Transfers and Adjustments Charges and (Credits) (f)	Book Cost of Property at End of Year (g)
1	NOT APPLICABLE						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	Totals (Sum L.1 to L.29)						

Company Name: VTI

## SCHEDULE 13

## Average Cost of Long Term Debt

Year: 2001

Line No.	Description (a)	Issue Date (b)	Maturity Date (c)	Principal Amount (d)	Gross Proceeds (e)	Net Proceeds (f)	Net Per \$100 (g)	Outstanding Per Balance Sheet (h)	Yield to Maturity (i)	Annual Net Cost (j)	Amortization of Premium or Discount (k)	Total Cost (%) (l)
1	RTFC - ACQUISITION	Apr-94	Apr-09	12572871				7235791				
2	RTFC - CONSTRUCTION	Apr-94	Aug-09	1349000				940804				
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
15												
16												
17												
18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30	<b>Total</b>			13921871				8176595				



## Cost of Preferred Stock

Year: 2001

Line No.	Description (a)	Date of Issuance (b)	Method of Offering (c)	Call Redemption Price (d)	Par Value Of Issue (e)	Gross Proceeds Amounts (f)	Net Proceeds Amounts (g)	Net Proceeds Per \$100 (h)	Cost of Money (i)	Principal Outstanding (j)	Annual Cost (k)	Embedded Cost (l)
1	NOT APPLICABLE											
2												
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
15												
16												
17												
18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30	Totals (Sum L.1 to L.29)											

Company Name: VTI

SCHEDULE 15

Analysis of Common Stock

Year: 2001

Line No.	(a)	Avg. Number of Shares Outstanding (b)	Book Value (per share) (c)	Earnings (per share) (d)	Dividends (per share) (e)	Retention Ratio (f)	Market Price High (g) Low (h)	Price/Earnings Ratio (i)
1	Year Ended December 31:	350	10000					
2								
3								
4								
5								
6								
7								
8	Month by Month Data:							
9	January							
10	February							
11	March							
12	April							
13	May							
14	June							
15	July							
16	August							
17	September							
18	October							
19	November							
20	December							
21								
22								
23								

Company Name: VTI

SCHEDULE 16

Capital Stock and Funded Debt Reacquired or Retired During the Year

Year: 2001

Line No.	Description of Security (a)	Call or Retirement Date (b)	Number of Shares (c)	Principal Amount (d)	Reacquisition or Retirement Cost (e)	Gain or (Loss) (f)	Retirement or Reacquisition (g)
1	NOT APPLICABLE						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	Totals (Sum L.1 to L.29)						

## Total Company Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	*	Network Support Expense	4130	2869		104351	-76009	35341
2	^	Motor Vehicle Expense	3728	2558		64620	-64143	6763
3	^	Aircraft Expense						
4	^	Special Purpose Vehicles Expense				43	-43	
5	^	Garage Work Equipment Expense						
6	^	Other Work Equipment Expense	402	311		39688	-11823	28578
7	*	General Support Expense	57433	30666	317366	108629		514094
8	^	Land and Building Expense	32900	15599	290642	71117		410258
9	^	Furniture and Artworks Expense				12251		12251
10	^	Office Equipment Expense				20358		20358
11	^	General Purpose Computers Expense	24533	15067	26724	4903		71227
12	*	Central Office Switching Expense	120496	81583		157588		359667
13	^	Analog Electronic Expense						
14	^	Digital Electronic Expense	120496	81583		157588		359667
15	^	Electro-Mechanical Expense						
16		Operator Systems Expense						
17	*	Central Office Transmission Expense	33297	21295	327312	33813		415717
18	^	Radio Systems Expense	91	60				151
19	^	Circuit Equipment Expense	33206	21235	327312	33813		415566
20	*	Information Origination/Termination Expense						
21	^	Station Apparatus Expense						
22	^	Large Private Branch Exchange Expense						
23	^	Public Telephone Terminal Equipment Exp.						
24	^	Other Terminal Equipment Expense						
25	*	Cable and Wire Facilities Expense	218053	145096	460265	78375		901789
26	^	Poles Expense			8969	-5866		3103
27	^	Aerial Cable Expense	78678	52676		30540		161894
28	^	Underground Cable Expense				76		76
29	^	Buried Cable Expense	139190	92077	451296	53625		736188
30	^	Submarine Cable Expense						
31	^	Deep Sea Cable Expense						
32	^	Intrabuilding Network Cable Expense						
33	^	Aerial Wire Expense						
34		<b>Subtotals</b>	433,224	281,166	1,104,943	482,756	(76,009)	2226080

^ Subaccount of the account marked with a \*.

## Total Company Expense Matrix

Year:2001

Line No.	Acct. No.	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	6441	Conduit Systems Expense	185	343				528
36	6510	Other Property Expenses	12097	7728		6575	-26400	
37	* 6530	Network Operations Expense	84766	56954		45905	-8072	179553
38	6531	Power Expense				35322		35322
39	6532	Network Administration Expense				1365		1365
40	6533	Testing Expense	7551	5770		94		13415
41	6534	Plant Operations Expense	66190	44042		8366	-7032	111566
42	6535	Engineering Expense	11025	7142		758	-1040	17885
43	6540	Access Expense				36841		36841
44	6561	Depreciation - Telecomm. Plant in Service				1058300		1058300
45	6562	Depreciation-Prop. for Future Telecom. Use						
46	6563	Amortization Expense - Tangible						
47	6564	Amortization Expense - Intangible						
48	6565	Amortization - Other				348897		348897
49	* 6610	Marketing	11681	7815		20130		39626
50	6611	Product Management						
51	6612	Sales				3786		3786
52	6613	Product Advertising	11681	7815		16344		35840
53	6621	Call Completion Services				2346		2346
54	6622	Number Services	5219	3940		38531		47690
55	6623	Customer Services	132526	108503		345409		586438
56	6711	Executive	89733	43340		76374		209447
57	6712	Planning						
58	6721	Accounting and Finance	77522	50912		77813		206247
59	6722	External Relations	35073	22812		84555		142440
60	6723	Human Relations	31402	23877		8602		63881
61	6724	Information Management						
62	6725	Legal				4891		4891
63	6726	Procurement	4249	3056		-6		7299
64	6727	Research and Development						
65	6728	Other General and Administrative	73743	57245		190876		321864
66	6790	Provision for Uncollectible Notes Receivable						
67		<b>Totals</b>	991,420	667,691	1,104,943	2,828,795	(110,481)	5482368

^ Subaccount of the account marked with a \*.

Year: 2001

## Total State Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)	
1	*	Network Support Expense	4130	2869		104351	-76009	35341	check
2	^	Motor Vehicle Expense	3728	2558		64620	-64143	6763	35341
3	^	Aircraft Expense							
4	^	Special Purpose Vehicles Expense				43	-43		
5	^	Garage Work Equipment Expense							
6	^	Other Work Equipment Expense	402	311		39688	-11823	28578	check
7	*	General Support Expense	57433	30666	317366	108629		514094	514094
8	^	Land and Building Expense	32900	15599	290642	71117		410258	
9	^	Furniture and Artworks Expense				12251		12251	
10	^	Office Equipment Expense				20358		20358	
11	^	General Purpose Computers Expense	24533	15067	26724	4903		71227	check
12	*	Central Office Switching Expense	120496	81583		157588		359667	359667
13	^	Analog Electronic Expense							
14	^	Digital Electronic Expense	120496	81583		157588		359667	
15	^	Electro-Mechanical Expense							
16	^	Operator Systems Expense							
17	*	Central Office Transmission Expense	33297	21295	327312	33813		415717	check
18	^	Radio Systems Expense	91	60				151	415717
19	^	Circuit Equipment Expense	33206	21235	327312	33813		415566	check
20	*	Information Origination/Termination Expense							
21	^	Station Apparatus Expense							
22	^	Large Private Branch Exchange Expense							
23	^	Public Telephone Terminal Equipment Exp.							
24	^	Other Terminal Equipment Expense							
25	*	Cable and Wire Facilities Expense	218053	145096	460265	78375		901789	check
26	^	Poles Expense			8969	-5866		3103	
27	^	Aerial Cable Expense	78678	52676		30540		161894	
28	^	Underground Cable Expense				76		76	
29	^	Buried Cable Expense				53625		736188	
30	^	Submarine Cable Expense							
31	^	Deep Sea Cable Expense							
32	^	Intrabuilding Network Cable Expense	139190	92077	451296				
33	^	Aerial Wire Expense							
34		<b>Subtotals</b>	433,224	281,166	1,104,943	482,756	(76,009)	2226080	check

^ Subaccount of the account marked with a \*

Company Name: VTI

# **Total State Expense Matrix**

**Year:2001**

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	6441	Conduit Systems Expense	185	343				528
36	6510	Other Property Expenses	12097	7728		6575	-26400	
37	6530	Network Operations Expense	84766	56954		45905	-8072	179553
38	6531	Power Expense				35322		35322
39	6532	Network Administration Expense				1365		1365
40	6533	Testing Expense	7551	5770		94		13415
41	6534	Plant Operations Expense	66190	44042		8366	-7032	111566
42	6535	Engineering Expense	11025	7142		758	-1040	17885
43	6540	Access Expense				36841		36841
44	6561	Depreciation - Telecomm. Plant in Service				1058300		1058300
45	6562	Depreciation-Prop. for Future Telecom. Use						
46	6563	Amortization Expense - Tangible						
47	6564	Amortization Expense - Intangible						
48	6565	Amortization - Other						
49	6610	Marketing	11681	7815		348897		348897
50	6611	Product Management				20130		39626
51	6612	Sales				3786		3786
52	6613	Product Advertising	11681	7815		16344		35840
53	6621	Call Completion Services				2346		2346
54	6622	Number Services	5219	3940		38531		47690
55	6623	Customer Services	132526	108503		345409		586438
56	6711	Executive	89733	43340		76374		209447
57	6712	Planning						
58	6721	Accounting and Finance	77522	50912		77813		206247
59	6722	External Relations	35073	22812		84555		142440
60	6723	Human Relations	31402	23877		8602		63881
61	6724	Information Management						
62	6725	Legal				4891		4891
63	6726	Procurement	4249	3056		-6		7299
64	6727	Research and Development						
65	6728	Other General and Administrative	73743	57245		190876		321864
66	6790	Provision for Uncollectible Notes Receivable						
67		<b>Totals</b>	991,420	667,691	1,104,943	2,828,795	(110,481)	5482368

5,482,368

^ Subaccount of the account marked with a \*

**Pension Costs**

Year: 2001

1	Plan Name _____			
2	Defined Benefit Plan? _____		Defined Contribution Plan? _____	
3	Actuarial Cost Method? _____		IRS Code: _____	
4	Annual Contribution by Employer: _____		Is the Plan Over Funded? _____	
5				
	Item	Current Year	Last Year	% Change
6	<b>Change in Benefit Obligation</b>			
7	Benefit obligation at beginning of year	N/A	N/A	#VALUE!
8	Service cost			
9	Interest Cost			
10	Plan participants' contributions			
11	Amendments			
12	Actuarial Gain			
13	Acquisition			
14	Benefits paid			
15	Benefit obligation at end of year			
16	<b>Change in Plan Assets</b>			
17	Fair value of plan assets at beginning of year			
18	Actual return on plan assets			
19	Acquisition			
20	Employer contribution			
21	Plan participants' contributions			
22	Benefits paid			
23	Fair value of plan assets at end of year			
24	<b>Funded Status</b>			
25	Unrecognized net actuarial loss			
26	Unrecognized prior service cost			
27	Prepaid (accrued) benefit cost			
28				
29	<b>Weighted-average Assumptions as of Year End</b>			
30	Discount rate			
31	Expected return on plan assets			
32	Rate of compensation increase			
33				
34	<b>Components of Net Periodic Benefit Costs</b>			
35	Service cost			
36	Interest cost			
37	Expected return on plan assets			
38	Amortization of prior service cost			
39	Recognized net actuarial loss			
40	Net periodic benefit cost			
41				
42	<b>Montana Intrastate Costs:</b>			
43	Pension Costs			
44	Pension Costs Capitalized			
45	Accumulated Pension Asset (Liability) at Year End			
46	<b>Number of Company Employees:</b>			
47	Covered by the Plan			
48	Not Covered by the Plan			
49	Active			
50	Retired			
51	Deferred Vested Terminated			



## Other Post Employment Benefits (OPEBS)

Item	Current Year	Last Year	% Change
<b>1 Regulatory Treatment:</b>			
2 Commission authorized - most recent			
3 Docket number: _____			
4 Order number: _____			
5 Amount recovered through rates			
<b>6 Weighted-average Assumptions as of Year End</b>			
7 Discount rate	NOT APPLICABLE		#VALUE!
8 Expected return on plan assets			
9 Medical Cost Inflation Rate			
10 Actuarial Cost Method			
11 Rate of compensation increase			
<b>12 List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:</b>			
13			
14			
<b>15 Describe any Changes to the Benefit Plan:</b>			
16			
<b>17 TOTAL COMPANY</b>			
<b>18 Change in Benefit Obligation</b>			
19 Benefit obligation at beginning of year			
20 Service cost			
21 Interest Cost			
22 Plan participants' contributions			
23 Amendments			
24 Actuarial Gain			
25 Acquisition			
26 Benefits paid			
27 Benefit obligation at end of year			
<b>28 Change in Plan Assets</b>			
29 Fair value of plan assets at beginning of year			
30 Actual return on plan assets			
31 Acquisition			
32 Employer contribution			
33 Plan participants' contributions			
34 Benefits paid			
35 Fair value of plan assets at end of year			
<b>36 Funded Status</b>			
37 Unrecognized net actuarial loss			
38 Unrecognized prior service cost			
39 Prepaid (accrued) benefit cost			
<b>40 Components of Net Periodic Benefit Costs</b>			
41 Service cost			
42 Interest cost			
43 Expected return on plan assets			
44 Amortization of prior service cost			
45 Recognized net actuarial loss			
46 Net periodic benefit cost			
<b>47 Accumulated Post Retirement Benefit Obligation</b>			
48 Amount Funded through VEBA			
49 Amount Funded through 401(h)			
50 Amount Funded through Other _____			
51 TOTAL			
52 Amount that was tax deductible - VEBA			
53 Amount that was tax deductible - 401(h)			
54 Amount that was tax deductible - Other _____			
55 TOTAL			

# Other Post Employment Benefits (OPEBS) Continued

Page 2 of 2  
Year: 2001

	Item	Current Year	Last Year	% Change
1	<b>Number of Company Employees:</b>			
2	Covered by the Plan			
3	Not Covered by the Plan			
4	Active			
5	Retired			
6	Spouses/Dependants covered by the Plan			
7	<b>Montana</b>			
8	<b>Change in Benefit Obligation</b>			
9	Benefit obligation at beginning of year			
10	Service cost			
11	Interest Cost			
12	Plan participants' contributions			
13	Amendments			
14	Actuarial Gain			
15	Acquisition			
16	Benefits paid			
17	Benefit obligation at end of year			
18	<b>Change in Plan Assets</b>			
19	Fair value of plan assets at beginning of year			
20	Actual return on plan assets			
21	Acquisition			
22	Employer contribution			
23	Plan participants' contributions			
24	Benefits paid			
25	Fair value of plan assets at end of year			
26	<b>Funded Status</b>			
27	Unrecognized net actuarial loss			
28	Unrecognized prior service cost			
29	Prepaid (accrued) benefit cost			
30	<b>Components of Net Periodic Benefit Cccosts</b>			
31	Service cost			
32	Interest cost			
33	Expected return on plan assets			
34	Amortization of prior service cost			
35	Recognized net actuarial loss			
36	Net periodic benefit cost			
37	<b>Accumulated Post Retirement Benefit Obligation</b>			
38	Amount Funded through VEBA			
39	Amount Funded through 401(h)			
40	Amount Funded through other _____			
41	TOTAL			
42	Amount that was tax deductible - VEBA			
43	Amount that was tax deductible - 401(h)			
44	Amount that was tax deductible - Other			
45	TOTAL			
46	<b>Montana Intrastate Costs:</b>			
47	Pension Costs			
48	Pension Costs Capitalized			
49	Accumulated Pension Asset (Liability) at Year End			
50	<b>Number of Montana Employees:</b>			
51	Covered by the Plan			
52	Not Covered by the Plan			
53	Active			
54	Retired			
55	Spouses/Dependants covered by the Plan			

## Payments for Services to Persons Other Than Employees

Year: 2001

Line No.	Name of Recipient (a)	Nature of Service (b)	Total Company Cost (c)	Total State Cost (d)	Intrastate Cost (e)
1	NISC	DATA SERVICES	303547	303547	303547
2	CLAUSEN & SONS	BUILDING CONSTRUCTION	75247	75247	75247
3					
4					
5					
6					
7					
8					
9					
10					
11					
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13					
14					
15					
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47					
48					
49	Total				

## Subscriber Line Usage Data

Year: 2001

Line No.	Description (a)	This Year (b)	% of Total (c)	Last Year (d)	% of Total (e)
1	<b>Toll Usage:</b>				
2	Interstate, InterLATA	24782899	56.78%	24190015	53.77%
3	Interstate, IntraLATA	12679	0.03%	15379	0.03%
4	<b>Total Interstate Usage</b>	24795578	56.80%	24205394	53.80%
5	Intrastate, InterLATA	7078012	16.22%	7774554	17.28%
6	Intrastate, IntraLATA	11777384	26.98%	13010077	28.92%
7	<b>Total Intrastate Usage</b>	18855396	43.20%	20784631	46.20%
8	<b>Total Toll Usage</b>	43650974	100.00%	44990025	100.00%
9	Centrex				
10	Local				
11	<b>Total Minutes</b>	43650974	100.00%	44990025	100.00%

## Central Office and Access Line Statistics

Year: 2001

Line No.	Wire Center (a)	Type of Office (b)	Residential (c)	ISDN (d)	ADSL (e)	Lifeline Customers (f)	Residential LMS Customers (g)	Single Line Business (h)	Multi-Line Business (i)	Customer Owned Coin (j)	Company Owned Coin (k)	Other (l)	% of Lines w/ T. Tone (m)	Total Access Lines (n)
1	GLASGOW CDO	DIGITAL	1889		66	102		935	16				100.0%	2840
2	WOLF POINT CDO	DIGITAL	1496		25	355		626	15				100.0%	2137
3	PLENTYWOOD CDO	DIGITAL	1009		30	35		394	10				100.0%	1413
4	POPLAR CDO	DIGITAL	884		28	328		516	7				100.0%	1407
5														
6														
7														
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32														
33	<b>Total</b>		5278		149	820		2471	48				4	7797

NOTE: Additional blank schedules are being provided for your convenience.

## Central Office and Switch Information

Line No.	Wire Center (a)	Office Configuration (Host, Remote, Stand alone) (b)	Type of Switch (c)	Switch Vendor/ Manufacturer (d)	Switch Model No. (e)	Switch Line Capacity (f)	Year Deployed (g)
1	GLASGOW	HOST	DIGITAL	NORTEL	DMS-10	2,890	1995
2	WOLF POINT	HOST	DIGITAL	NORTEL	DMS-10	2,041	1995
3	PLENTYWOOD	HOST	DIGITAL	NORTEL	DMS-10	1,456	1994
4	POPLAR	HOST	DIGITAL	NORTEL	DMS-10	1,312	1995
5	WOLF POINT	REMOTE	DIGITAL	NORTEL	RSC-S		1997
6							
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48							

NOTE: Additional blank schedules are being provided for your convenience.

## Construction Budget - Montana

Year: 2002

Line No.	Description (a)	2002 (b)
1	<b>Central Office Assets:</b>	
2	NONE	
3		
4		
5		
6		
7		
8		
9		
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26		
27	Total Switching and Central Office Projects over \$500,000	
28	Miscellaneous Central Office Projects not over \$500,000	150000
29	<b>Total Central Office Budget (Total of Line 27 &amp; Line 28)</b>	150000
30	<b>Other Projects over \$500,000:</b>	
31	NONE	
32		
33		
34		
35		
36		
37		
38		
39		
40		
41	Total Other Projects over \$500,000	
42	Miscellaneous projects not over \$500,000	150000
43	<b>Total Construction Budget (Total of Lines 29, 41 &amp; 42)</b>	300000

## Montana Employee Counts

Year: 2001

Line No.	Category (a)	Beginning of Year (b)	End of Year (c)
1	N/A		
2			
3			
4			
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42			
43	Totals (Sum of Lines 1 through 42)		



## Compensation of Top 10 Montana Based Employees

Year: 2001

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1	Valley Telecommunications, Inc. has no employees. Employee services are provided through service agreements with Nemont Telephone Cooperative, Inc.						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11	Totals (Sum L.1 to L.10)						

Year: 2001

**Compensation of Top 5 Corporate Employees - SEC Information**

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1	NOT APPLICABLE						
2							
3							
4							
5							
6	Totals (Sum L.1 to L.5)						

## Montana Composite Statistics

Year: 2001

Line No.	Account No.	Description (a)	Amount (b)
1		<b>Plant (Intrastate Only) (000 Omitted)</b>	
2	2001	Plant in Service	16467252
3	2003 - 2004	Construction Work in Progress	73840
4	2005	Plant Acquisition Adjustments	5233454
5	2002	Plant Held for Future Use	
6	1220	Materials & Supplies	
7		(Less):	
8	3100 - 3400	Depreciation & Amortization Reserves	-6774459
9	4360.2	Contributions in Aid of Construction	
10		<b>NET BOOK COSTS</b>	15000087
11		<b>Revenues &amp; Expenses (Intrastate Only) (000 Omitted)</b>	
12	5000 - 5300	Operating Revenues	8956790
13	6560	Depreciation & Amortization Expenses	1407197
14		Federal & State Income Taxes	925591
15		Other Taxes	517312
16		Other Operating Expenses	4075173
17		TOTAL Operating Expenses	6925273
18		Net Operating Income	2031517
19		Other Income	267585
20		Other Deductions	682175
21		<b>NET INCOME</b>	1616927
22		<b>Access Lines in Service (Intrastate Only)</b>	
23		Residential Access Lines	5278
24		Business Access Lines	2519
25		PBX Access Lines	
26		Other Access Lines	
27		<b>Total Number of Access Lines</b>	7797
28		<b>Average Number of Calls Per Access Line</b>	
29		Local Calls	3000
30		Toll Calls (Intra- or Interstate)	350
31		<b>Total Number of Calls Per Access Line (Total of Line 29 &amp; Line 30)</b>	3350
32		<b>Other Statistics (Intrastate Only)</b>	
33		Average Residential Monthly Bill	45
34		Gross Plant Investment per Access Line	2112

**Depreciation - Montana Intrastate Regulated**

Year: 2001

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense \$ (d)
1	2112	Motor Vehicles	25.0%	65,047
2	2114	Special Purpose Vehicles		
3	2115	Garage Work Equipment		
4	2116	Other work Equipment	8.0%	13,730
5	2121	Buildings	3.1%	56,925
6	2122	Furniture		
7	2123.1	Office Support Equipment		
8	2123.2	Company Communications Equipment	7.5%	8,038
9	2124	General Purpose Computers		
10	2211	Analog Electronic Switching Equipment		
11	2212	Digital Electronic Switching Equipment	8.2%	317,643
12	2215	Step By Step Switching Equipment		
13	2215	Crossbar Switching Equipment		
14	2220	Operator System		
15	2231	Radio Systems		
16	2232	Circuit DDS	8.2%	140,044
17	2232	Circuit Digital		
18	2232	Circuit Analog		
19	2351	Public Telephone Terminating Equipment		
20	2362	Other Terminal Equipment		
21	2411	Poles	9.2%	18,444
22	2421	Aerial Cable Metallic	9.2%	103,736
23	2421	Aerial Cable Nonmetallic	9.2%	1,892
24	2422	Underground Cable Metallic	9.2%	96,228
25	2422	Underground Cable Nonmetallic	9.2%	5,400
26	2423	Buried Cable Metallic	4.0%	127,861
27	2423	Buried Cable Nonmetallic	4.0%	1,047
28	2424	Submarine Cable Metallic		
29	2424	Submarine Cable Nonmetallic		
30	2426	Intrabuilding Network Cable Metallic	3.3%	2,682
31	2426	Intrabuilding Network Cable Nonmetallic	3.3%	19
32	2431	Aerial Wire	10.3%	359
33	2441	Conduit Systems	4.0%	99,207
34				
35		<b>COMPOSITE TOTAL</b>		
36				
37	Have these rates been approved by the Commission? ____YES __X__ NO			
38				
39	If yes: _____ Docket Number _____ Order Number			
40				

**Montana Regulatory Capital Structure & Costs**

Year: 2001

Line No.	Description (a)	% Cap. Str. (b)	% Cost Rate (c)	Weighted Cost (d)
	<b>Commission Accepted - Most Recent</b>			
1	Docket Number			
2	Order Number			
3				
4	Common Equity			
5	Preferred Stock			
6	Long Term Debt			
7	Other			
8	<b>Total</b>			
9				
10	<b>Actual at Year End</b>			
11				
12	Common Equity	54.00%		
13	Preferred Stock			
14	Long Term Debt	41.00%		
15	Other	5.00%		
16	<b>Total</b>	100.00%		

**Network Access - Charges and Revenues**

Year: 2001

Line No.	Description (a)	Access Charges Paid (b)	Access Revenues Received (c)
1	Montana - Total State		1812065
2			
3	Montana - Intrastate		1812065
4			
5	Montana - Intrastate Regulated		1812065
6			
7			
8			
9			
10			
11			
12			
13			

# Affiliate Transactions - Products & Services Provided to Utility

Year: 2001

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Utility (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
1	NEMONT TELEPHONE COOP	TANDEM SWITCHING	LEASE AGREEMENT	60,312		
2		TOOLS & EQUIPMENT	LEASE AGREEMENT	17,724		
3		FURNITURE & OFFICE EQUIP	LEASE AGREEMENT	19,452		
4		VEHICLES	LEASE AGREEMENT	40,416		
5						
6	NEMONT COMMUNICATIONS	BUILDING RENT	LEASE AGREEMENT	290,592		
7		COMPUTER LEASE	LEASE AGREEMENT	26,724		
8		FIBER LEASE	LEASE AGREEMENT	778,608		
9						
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27						
28						
29						
30	<b>TOTAL</b>			\$1,233,828		

# Affiliate Transactions - Products & Services Provided by Utility

Year: 2001

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Affiliate (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
1	NEMONT TELEPHONE COOP	SWITCHING CHARGES	LEASE AGREEMENT	384,528		
2		VEHICLES	LEASE AGREEMENT	9,888		
3						
4	NEMONT COMMUNICATIONS	OFFICE RENTAL	LEASE AGREEMENT	11,400		
5		VEHICLES	LEASE AGREEMENT	2,424		
6		CDO & BAY RENTAL	LEASE AGREEMENT	6,036		
7						
8	SAGEBRUSH CELLULAR	VEHICLES	LEASE AGREEMENT	1,212		
9		OFFICE RENTAL	LEASE AGREEMENT	8,100		
10		BAY & ANTENNA RENTAL	LEASE AGREEMENT	8,700		
11						
12						
13						
14						
15						
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22						
23						
24						
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26						
27						
28						
29						
30	<b>TOTAL</b>			\$432,288		

## Montana Intrastate Regulated Earned Rate of Return

Year: 2001

Line No.	Description Rate Base (a)	This Year (b)	Last Year (c)	Percent Change (d)
1				
2	2001 Plant in Service	16,467,252	16,226,388	1.48%
3	2002 Prop. Held for Future Telecommunications Use			
4	3100-3200 (Less) Accumulated Depreciation	(4,157,732)	(3,168,043)	-31.24%
5	<b>Plant in Service</b>	<b>12,309,520</b>	<b>13,058,345</b>	<b>-5.73%</b>
6				
7	<b>Additions</b>			
8	1220 Materials & Supplies			
9	1280 Prepayments	21,235	11,825	79.58%
10	Other Additions			
11	<b>TOTAL Additions</b>	<b>21,235</b>	<b>11,825</b>	<b>79.58%</b>
12				
13	<b>Deductions</b>			
14	4100 Current Deferred Operating Income Taxes			
15	4320 Unamortized Operating Investment Tax Credits			
16	4340 Noncurrent Deferred Operating Income Taxes	1,309,400	1,361,282	-3.81%
17	Customer Advances for Construction			
18	Other Deductions			
19	<b>TOTAL Deductions</b>	<b>1,309,400</b>	<b>1,361,282</b>	<b>-3.81%</b>
20	<b>TOTAL Rate Base</b>	<b>11,021,355</b>	<b>11,708,888</b>	<b>-5.87%</b>
21				
22	<b>Net Earnings</b>	<b>1,616,927</b>	<b>1,480,421</b>	<b>9.22%</b>
23				
24	<b>Rate of Return on Average Rate Base</b>	<b>14.671%</b>	<b>12.644%</b>	<b>16.03%</b>
25				
26	<b>Rate of Return on Average Equity</b>	<b>14.920%</b>	<b>16.050%</b>	<b>-7.04%</b>
27				
28	Major Normalizing Adjustments & Commission			
29	<u>Ratemaking adjustments to Utility Operations</u>			
30				
31				
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42				
43	<b>Adjusted Rate of Return on Average Rate Base</b>			
44				
45	<b>Adjusted Rate of Return on Average Equity</b>			



**Other Taxes Paid**

Year: 2001

Line No.	Description (a)	Last Year (b)	This Year (c)
1	Montana Telephone Company License Tax		
2	Montana Public Service Commission Tax	11010	10412
3	Montana Consumer Counsel Tax	3288	3331
4	911 Emergency Telephone Fee	43574	42561
5	Montana Telecommunications Access Service (TDD)	8723	8524
6	Montana Corporate License Tax		
7	Personal Property Tax	462000	602136
8	Real Property Tax		
9			
10			
11			
12	<b>Total</b>	528595	666964

Company Name: VTI

**Universal Service Funds Received**

Year: 2001

Line No.	Description (a)	Last Year (b)	This Year (c)
13	Funds received from Montana Sources	19358	
14	Funds received from Federal Sources	1046865	689743
15			
16			
17			
18			
19			
20			
21			
22			
23			
24	<b>Total</b>	1066223	689743

